

Message Text

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PAGE 01 LONDON 17458 01 OF 02 122133Z

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W

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S E C R E T SECTION 01 OF 02 LONDON 17458

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FOR SONNENFELDT ONLY FROM DOBBINS

E.O. 11652: XGDS-2

TAGS: ECON

SUBJECT: ECONOMIC SUMMIT: REPORT ON NOVEMBER 12

CARLETON GROUP MEETING

REF: LONDON 17418

1. PRIOR TO OPENING OF MEETING BARRE TOLD SHULTZ PRIVATELY THAT HE HAD REVIEWED U.S. DRAFT JOINT STATEMENT, THOUGHT SUCH A STATEMENT WOULD BE USEFUL, AND BELIEVED THAT U.S. DRAFT PROVIDED A GOOD BASIS FOR DISCUSSION. SHULTZ SUGGESTED BARRE PROPOSE THIS TO THE GROUP.
2. SHULTZ OPENED THE MEETING BY CALLING ATTENTION TO SECRETARY KISSINGER'S PITTSBURGH SPEECH AND BRIEFING THE GROUP ON THE CONTENTS OF PRESIDENT FORD'S MESSAGE TO HIS SUMMIT COLLEAGUES.
3. BARRE THEN SUGGESTED THAT GROUP CONCENTRATE ON LANGUAGE FOR A POSSIBLE COMMUNIQUE OR STATEMENT. HE SUGGESTED THE U.S. DRAFT BE USED FOR THE BASIS FOR DISCUSSION. POEHL, WHO HAD JUST DISTRIBUTED COPIES OF HIS OWN DRAFT COMMUNIQUE, SUGGESTED INSTEAD A GENERAL DISCUSSION OF AGENDA ITEMS. HE EXPRESSED DOUBT

SECRET

SECRET

PAGE 02 LONDON 17458 01 OF 02 122133Z

ABOUT THE DESIRABILITY OF ANY SORT OF AGREED STATEMENT,

AND STATED THAT IN ANY CASE HE DID NOT BELIEVE THAT THE U.S. DRAFT OFFERED BEST BASIS FOR DISCUSSION. AFTER SOME DISCUSSION POEHL RELENDED IN FACE OF OTHER PARTICIPANTS DESIRE TO PROCEED ON BASIS OF U.S. DRAFT.

4. THE FIRST FOUR PARAGRAPHS OF U.S. TEXT WERE ACCEPTED WITHMUT COMMENT. AS THE DISCUSSION PROCEEDED ON SUBSEQUENT PARAGRAPHS IT BECAME CLEAR THAT A SUBSTANTIAL COINCIDENCE ON VIEWS EXISTED. HUNT SUGGESTED THAT GROUP ATTEMPT TO DRAFT AGREED TEXT, BASED ON U.S. DRAFT, WHICH WOULD BE USED TO SHOW HEADS OF STATE WHAT SUCH A STATEMENT MIGHT LOOK LIKE. OTHERS AGREED AND TEXT TRANSMITTED REFTEL IS THE RESULT. NEXT SEVERAL PARAGRAPHS SUMMARIZE DISCUSSION LEADING TO AGREEMENT ON THAT TEXT.

5. ECONOMIC EXPANSION: BARRE AND OTHERS OBJECTED TO SPECIFICALLY SETTING 1977 AS GOAL, NOTING THAT IN MAKING SUCH A STATEMENT GOVERNMENTS WERE ADMITTING INABILITY TO REACH GOAL EARLIER, AND WERE ALSO OPENING THEMSELVES TO FURTHER CRITICISM IF GOALS WERE NOT REACHED BY 1977. HUNT AND MITCHELL OPPOSED, HERE AND THROUGHOUT THE DISCUSSION, THE SLIGHTEST HINT OF ANY FOLLOW-ON MECHANISMS, WHETHER AMONG THE SIX OR SEVEN, INSIDE OR OUTSIDE EXISTING INSTITUTIONS. POEHL RESISTED MENTION OF 'REDUCTION IN DISPARITIES OF INFLATION RATES', NOTING THAT THIS COULD BE INTERPRETED TO MEAN LOW INFLATORS (SUCH AS THE FRG) WOULD ALSO HAVE AN OBLIGATION TO INFLATE FASTER TO CLOSE THE GAP.

6. TRADE: HUNT SAID THAT WHILE THE UK WAS PREPARED TO JOIN IN STRONG STATEMENT AGAINST PROTECTIONISM, WILSON WOULD BE POLITICALLY UNABLE TO EXPLICITLY REAFFIRM OECD TRADE PLEDGE. HE ASSURED GROUP THAT HMG IS COMMITTED TO RESISTING PROTECTIONISM MEASURES IN ALL BUT EXCEPTIONAL CASES, THAT IT INTENDED TO RENEW OECD PLEDGE IN MAY WHEN IT EXPIRES BUT INSISTED THAT THE PLEDGE NOT BE MENTIONED IN THIS TEXT. POEHL FOUND U.S. STATEMENT ON TRADE EXPANSION GOALS TOO SPECIFIC IN SOME AREAS AND TOO SECRET

SECRET

PAGE 03 LONDON 17458 01 OF 02 122133Z

GENERAL IN OTHERS. HE MENTIONED IN PARTICULAR EC SENSITIVITY ON ARGICULTURAL ISSUE. BARRE SUGGESTED ALTERNATIVE LANGUAGE FOUND IN TEXT.

7. MONETARY: SHULTZ OPENED MONETARY DISCUSSION BY NOTING THAT GPOUP SHOULD AVOID GETTING BOGGED DOWN ON THIS ISSUE, SINCE STATUS OF DISCUSSIONS UNDERWAY ELSEWHERE WOULD LARGELY DETERMINE WHAT SORT OF LANGUAGE

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PAGE 01 LONDON 17458 02 OF 02 122133Z

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S E C R E T SECTION 02 OF 02 LONDON 17458

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COULD FINALLY BE ADOPTED. OSSOLA SAID THAT ASIDE FROM THE EXCHANGE RATE ISSUE, RENEWED DISAGREEMENTS ON THE SUBJECT OF GOLD NOW THREATENED SUCCESS OF JANUARY IMF MEETING, AND COULD THUS UNDERMINE ANY UNDERSTANDINGS REACHED ON IMF QUOTAS AND EXCHANGE RATES. BARRE PROPOSED ALTERNATIVE LANGUAGE FOR THIS PARAGRAPH, WHICH WAS ACCEPTED WITH SOME AMENDMENTS, ON THE CONDITION THAT IT BE BRACKETED TO INDICATE ITS VERY PRELIMINARY AND TENTATIVE NATURE.

8. ENERGY: POEHL MAINTAINED THAT INDUSTRIALIZED COUNTRIES HAD ALREADY LARGELY ADAPTED TO ENERGY PRICE INCREASE. HE SAID THAT THERE WERE NO PROBLEMS OF ACCESS TO SUPPLIES, OR OF DEPENDENCY ON IMPORTS. OIL WAS IN SURPLUS AND ONE COULD HAVE ALL ONE WISHED TO BUY. HUNT SOUGHT LANGUAGE WHICH WOULD AVOID IMPLICATION OF CONFRONTATION, THUS RESISTING SUGGESTION THAT INDUSTRIALIZED COUNTRIES HAD "POWER TO REMOVE" MASSIVE INCREASES IN OIL PRICES. HE PROPOSED A FAVORABLE MENTION OF UPCOMING CIEC. BARRE DID WISH TO HAVE ANY MENTION OF IEA.

9. NORTH/SOUTH RELATIONS: THERE WAS A GENERALLY FELT DESIRE TO SPECIFY SOME OF THE STEPS WHICH THE INDUSTRIALIZED NATIONS INTENDED TO TAKE TO ASSIST THIRD WORLD, SPECIFICALLY THE TRUST FUND AND AN EXPORT

EARNINGS STABILIZATION SCHEME. THERE WAS ON THE OTHER
HAND EQUALLY GENERAL OPPOSITION TO THE NOTION THAT THE
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PAGE 02 LONDON 17458 02 OF 02 122133Z

INDUSTRIALIZED NATIONS SHOULD PROMISE TO BE "GENEROUS" OR
"COPATIONATE" ON THEIR NEGOTIATIONS WITH THE DEVELOP-
ING WORLD.

10. EAST/WEST TRADE: NO CHANGES WERE PROPOSED. OSSOLA
SAID THAT MORO WOULD RAISE PROBLEM OF SOVIET AND EASTERN
EUROPEAN INDEBTEDNESS (HE CITED A FIGURE OF \$25 BILLION),
THEIR CONSEQUENT CREDITWORTHINESS, AND THE PROBLEM OF
COMPETITIVE WESTERN CREDITS. HE HOPED THE SUMMIT WOULD
STIMULATE GREATER WESTERN CONSULTATION AND COOPERATION
ON THESE ISSUES.

11. IN CLOSING MEETING SHULTZ SUMMED UP AGREEMENT.
GROUP WOULD TRANSMIT THEIR DRAFT TEXT NOT AS PROPOSED
JOINT STATEMENT BUT AS A BROAD EXAMPLE OF WHAT SUCH A
STATEMENT MIGHT LOOK LIKE. THEY WOULD SUGGEST THAT
DESIGNATED OFFICIALS, MEETING DURING THE SUMMIT, USE IT
AS A BASIS FOR DRAFTING EITHER A JOINT STATEMENT, OR IF
THAT WAS FOUND UNDESIRABLE, AGREED TALKING POINTS. IT
WAS AGREED THAT DISTRIBUTION OF DRAFT TEXT WOULD BE MOST
SEVERELY LIMITED WITHIN GOVERNMENTS (THE DEBATE CENTERED
ON WHETHER THERE COULD BE ONE COPY OR TWO PER GOVERNMENT)
AND THE PARTICIPANTS AGREED TO NO COMMENT ANY AND ALL
PRESS INQUIRIES ABOUT THEIR MEETING.

RICHARDSON

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